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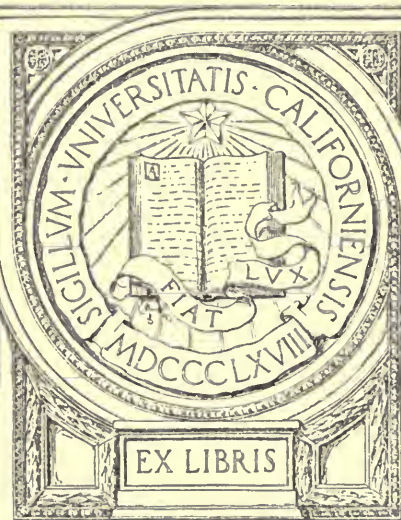
FREDERICK W. TOMPSON

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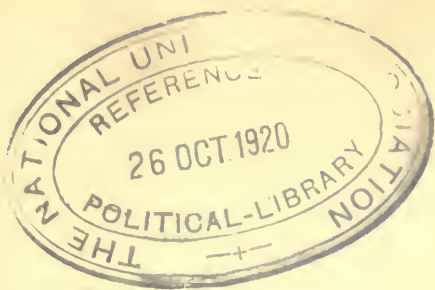
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DEFINITIONS OF TERMS USED

In the United States a "city" is a place of over 3,000 inhabitants; a "town" is a country district with a less number.

A "gallon" means in this book an English, or Imperial, gallon. The American gallon is 0.833 of the English gallon.

R. and S., p. 100, refers to the book *The Taxation of the Liquor Trade*, by Messrs. Rowntree and Sherwell, Vol. I., 1908 edition, p. 100.

The rate of exchange is taken to be $\$4.80 = \pounds 1$, except in Chapter I., referring to licence duties, where it is taken as $\$5 = \pounds 1$. These are the figures adopted by Messrs. Rowntree and Sherwell.

The meaning of the terms "dry" or "no licence," and "wet" or "licence," applied to places in the United States hardly needs explanation. In the "dry" or "no licence" districts, no retailers' licences are issued. In "wet" districts, on the contrary, retailers' (saloon-keepers') licences are issued under the laws and conditions prevailing in the particular locality.

PREFACE

AT a time when the forthcoming Budget occupies so large a share of public attention, I venture to think that an examination of one of the suggested sources of revenue requires no apology.

In order to present an accurate comparison between the duties imposed on licences for the sale of alcoholic beverages in this country and those imposed in the United States, it has been necessary to estimate very carefully the other forms of taxation to which they are subjected. It is useless to show that the licence duties are higher in America than in the United Kingdom, without, at the same time, proving conclusively that other liquor taxes in the United Kingdom do not counterbalance the lowness of the Licence Duties. In order to ascertain whether this latter is, or is not the case, I have been obliged to make a wider survey than is suggested by the title of this book, but I have rigidly excluded everything that has not a direct bearing on the subject.

The inquiry now published is based upon my

personal knowledge of "high licence" in the North-Eastern States of the Union.

It has been my endeavour to keep the work as little technical as possible, and to present the whole case in such a manner that the points can be understood by those without personal knowledge of the licensed trade.

Nevertheless, the general reader would find it difficult to verify some of the figures contained in this book, and possibly, in the absence of corroboration, he might be inclined to doubt their accuracy. It may reassure him to know that I have submitted all my figures and authorities to the scrutiny of Mr. Reginald Mason, the well-known Chartered Accountant of London, who has verified them as far as it is possible to do so in this country.

I owe a debt of gratitude to Mr. Mason, and also to other friends on both sides of the Atlantic, for much assistance readily given.

I should like, at the same time, to thank the Officials in the Statistical Departments of several States of the Union for their unfailing courtesy and patience during the course of my investigations.

FREDERIC W. TOMPSON.

LIMPSFIELD, SURREY.

31st March, 1909.

INTRODUCTION

THERE is at the present moment in Great Britain a movement for the introduction of high licence duties. In other words, it is suggested that the cost of public-house licences in this country should be very greatly increased.

The supporters of this proposal rest their case principally on the example of the United States of America, where a system of high licence prevails, and where, apparently, the liquor trade flourishes.

The opponents of the system, on the other hand, state that although the licence duties are higher in the United States, yet the liquor duties are lower, so that the total taxation is not higher there than in the United Kingdom. They also point out that the liquor trade in the United Kingdom (with the exception of a very few concerns) is in anything but a flourishing state—as is clearly shown by the prices obtainable for brewery securities—even for the mortgage debentures in well managed and sound breweries.

A comparison between the taxation of liquor in the United Kingdom and in the United States is a

matter of great difficulty, because nearly every method of levying the taxes is on a completely different basis.

In 1906, a book was published, entitled "The Taxation of the Liquor Trade," by Messrs. Rowntree and Sherwell, and at the end of the year 1908 a second and enlarged edition of Vol. I appeared. In this work a great deal of space is given to the United States, and apparently strong arguments in favour of high licence are drawn from the comparison. The authors have devoted an immense amount of time to collecting the facts, and they have accumulated very numerous figures and much information relating to the liquor trade in the United States. The book is well written, the figures are dealt with in a masterly fashion and the arguments are *primâ facie* convincing, and are supported by well arranged coloured diagrams. The book is also free from fanaticism, and it is perhaps as fair and just as an *ex parte* statement can be expected to be. I believe it to be entirely free from conscious bias. Before, however, we accept the calculations and conclusions arrived at by the authors they ought to be carefully examined. To err is human, and it would be indeed strange if so many new facts and figures were brought together without errors of omission and of logic. We must also bear in mind the *unconscious* bias of the authors, who are well known teetotal reformers.

I have therefore addressed myself to the task of gathering together a concise statement of the facts

and figures relating to the taxation of the liquor trade in the United Kingdom and in the United States, and of comparing them with the figures and arguments in Messrs. Rowntree and Sherwell's book. In the following pages I give the result of my work. I have endeavoured to approach the task in a spirit of scientific enquiry. I am a Director of Brewing Companies both in England and in the United States of America, and as my stake in the brewing trade is about equally divided between the two sides of the Atlantic, I may venture to express a hope that I have been able to explore the subject with a mind free from bias,—either conscious or unconscious.

In this volume I have adopted Messrs. Rowntree and Sherwell's figures wherever possible, amending them where I think the facts demand it. The reader will be left to draw his own conclusions as to high licence from the resulting figures.



CHAPTER I

THE LICENCE DUTIES

UNDER the term "Licence Duties" are included all the amounts paid by manufacturers, dealers, and retailers for licences to make and sell spirituous liquors. There are a great many different kinds of these licences, and the subject is very complicated. It becomes easier to handle if we consider only the saloon keeper's (or publican's) licence. This gives the right to sell all kinds of liquor to be drunk on the premises, and it is, in essentials, the same on both sides of the Atlantic. It is much the most important of all the licences, both in number and yield to the Exchequer, and Messrs. Rowntree and Sherwell have done quite rightly in taking it as being typical of licences as a whole.

The licence duty imposed by the United States (Federal) Government is only £5, but each State of the Union is perfectly free to impose further taxation for its own benefit, or it is free to refuse to issue any licences. The latter is the policy adopted by the so-called Prohibition States.

The remaining States issue licences at various rates of duty. Some are not high, though I think they are all higher than in this country. Many, on the other hand, are so high that it is difficult to understand how the small saloons are able to pay the duty.¹

Speaking generally, the States in the north-east of the U.S.A. (except prohibitionist Maine) have the highest licence duties. They are also the States upon which Messrs. Rowntree and Sherwell rely to show that the licence duties in this country are not nearly so high as they ought to be.

The principal States in this group are New York, Pennsylvania, New Jersey, Connecticut, Rhode Island, Massachusetts, and New Hampshire. In each of these States the licence duty is very high.

In New York State the duty is £30 in the very sparsely populated districts, rising, in proportion to the population of the locality, up to £200 in the City of New York. The revenue derived from these duties is allocated as follows :—one half belongs to the municipality, and the other half goes to the treasury of the State of New York. In addition to this the federal tax of £5, already referred to, is levied by the United States Government.

Referring to this State, Messrs. Rowntree and Sherwell (p. 358) write :—“ . . . All places where alcoholic liquor is sold for consumption on the premises are treated alike, and pay the same licence

¹ This question is gone into fully in Chapter IV.

duty or tax. No distinction is made between beer saloons, clubs, restaurants, hotels, and ordinary public houses. All are required to pay the same amount of licence duty. The scale of duty is graded according to the population of a town or city, and the amount of duty is the same for all saloons in a town, regardless of the size or location of the premises."

Licences are granted for one year only (as is usual in all States of the Union), and the licence holder has no claim to renewal at the end of the year. Licences are under the control of "licence commissioners," and these gentlemen have autocratic powers.

Since the object is to raise revenue, any person can take out a licence provided he is willing to pay for it, and provided he keeps within the laws as to "location," etc. This, of course, does not apply to a few States like Massachusetts, where the number of licences is, by law, limited in proportion to the population.

No limit, as already stated, is in the State of New York put upon the number of licences of any class that may be issued, ". . . reliance," as stated by Messrs. Rowntree and Sherwell (p. 354), "being apparently chiefly placed upon the amount of the excise tax" (*i.e.* licence duty) "to furnish the needful check."

In Pennsylvania the duties are much the same as in New York State.

In the State of New Jersey, situated between the States of New York and Pennsylvania, the licence duties are much lower, varying from £20 in the rural districts to £60 in cities of over 10,000 inhabitants. Hoboken, which is a suburb of New York, situated in New Jersey and separated from New York City by the river Hudson, charges only £60 for a licence—against £200 in New York.

In Connecticut the duty is £50 per annum in the rural districts, and £90 in the cities.

Rhode Island levies a licence duty of £40 and upwards in rural districts, and of £80 in the capital.

In Massachusetts the licence duties are still higher. The minimum for a publican's licence is £200, and each city is free to add to this duty, which it usually does. Of the duty so collected, one-quarter goes to the State of Massachusetts, three-quarters belongs to the municipal or local government, and £5 in addition is collected by the Federal (United States) authorities. It must, however, be added that in Massachusetts only one licence can be issued per 1,000 of the population (except in Boston, where it is one to 500). This makes the privilege much more valuable than it is in States where licences are granted to almost anyone willing to pay the duty.

In New Hampshire, licence duties vary from £50 in the country districts up to £240 in the city of Manchester. The revenue derived from these duties is equally divided between the town and the county in which such town is situated.

In many States the saloon-keeper has to take out a further licence if he wishes to sell for consumption off the premises. This he generally does ; hence the average duty paid by the saloon-keepers is greater than the figures given above.

In the United Kingdom the licence duty on the smallest fully licensed house is £4 10s. 0d., and it is graduated in accordance with the value of the premises up to a maximum of £60.

The subjoined table sets forth the rates of licence duties which at present prevail in the United Kingdom :—

Annual Value.				Rate of Licence Duty.		
		Under £10		£4	10	0
£10	and	under	£15	6	0	0
15	"	"	20	8	0	0
20	"	"	25	11	0	0
25	"	"	30	14	0	0
30	"	"	40	17	0	0
40	"	"	50	20	0	0
50	"	"	100	25	0	0
100	"	"	200	30	0	0
200	"	"	300	35	0	0
300	"	"	400	40	0	0
400	"	"	500	45	0	0
500	"	"	600	50	0	0
600	"	"	700	55	0	0
700	and	over		60	0	0

From the foregoing it will be seen that the licence duties in the United States of America are much higher than in this country. It is difficult to say with any approach to accuracy how much they are higher, because they are levied on a totally different basis. In the States the annual value of

the premises has nothing to do with the rate of duty, whilst in the United Kingdom it forms the basis of the levy.

If the yield of the licence duties in the whole of the United States were available, a comparison would be possible ; but, unfortunately, the only year for which the total for the United States can be obtained is 1896.

In the year 1896, the United States licence duty came to £11,788,955,¹ whilst the same figures for the United Kingdom were £1,995,264.² Allowing for difference of population, this would make the duty just $3\frac{1}{4}$ times as great in the United States as in this country. The difference between the amounts levied in the two countries by this branch of the taxation of liquor is undoubtedly at the present moment greater than this. Taxation by licence duties is, however, relatively only a small part of the total taxation of the liquor traffic. It must be regarded as one only of the factors. The total taxation is dealt with in Chapter III.

Having thus briefly stated the position, I will now turn to Messrs. Rowntree and Sherwell's book. A great deal of space (148 pages) is devoted to this question. It is indeed the main object of the book to show that an increased revenue can be raised in the United Kingdom by adopting the high licence duty levied in the United States, and particularly that levied in certain selected States where the

¹ R. and S., p. 398.

² R. and S., p. 400.

duties are exceptionally high. The authors go carefully into the history of the duties in America, and they give accurately the rates of duty prevailing in several of the individual States. The work is well done and must have entailed a great amount of labour. If I have any complaint to make it is that this very simple fact that licence duty *per se* is higher in the United States than in the United Kingdom is proved over and over again, with an abundance of tables and figures, and of repetitions of the same figures put in different ways.

As I have said, these figures are accurate so far as they apply to the States; but when they come to make their comparison with Great Britain their conclusions are marred by the author's omission to mention attendant circumstances which are not generally known on this side of the water, and which place the licence holder in the United States in an entirely different position.

In the United States local option is the most prevalent system, and every year each town¹ and each city in which local option is in force has a general election at which all kinds of mayors and councillors are elected, and, among other things, it is decided whether the place shall be "wet" or "dry" for the ensuing year. The result of the licence vote, looked at as a whole, is curious. The

¹ In America a "town" is a locality having less than 3,000 inhabitants; a "city" is every place having more; a village, or sparsely inhabited country district, is therefore a "town."

country districts go "dry." The suburbs of the large cities, and the smaller cities surrounding them, go "dry." The larger cities all go "wet."¹ The medium sized cities form the battle ground on which the great fight of "licence" or "no licence" is annually fought.

From this it follows that the liquor trade is concentrated in the large cities. They not only do their own trade, but all the trade of the surrounding districts. As an example of this take Cambridge, a suburb separated from Boston by the river, and connected with it by several bridges and tram and railway lines. Cambridge (where the University of Harvard is situated) has always been "no licence." It contains 97,434 inhabitants, and it is not usually believed that these 97,434 people drink any less than the people who live on the other side of the river. But they get all their liquor in Boston—swelling the trade of the Boston dealers.

These facts make the licences in the cities more valuable than they otherwise would be, and confer upon the holders a far more extensive monopoly than if they were dependent upon local trade only. Yet Messrs. Rowntree and Sherwell make the comparison with English cities without any reference to this fact.

They publish page after page of figures and many diagrams comparing the yield of the licence duties in

¹ The largest city that ever strays into the "dry" column is Worcester, Mass., with a population of 128,135.

American cities with the same yield in English cities of the same population—never mentioning the fact that the American city in nearly all cases slakes the thirst of a whole county besides its own.

As a glaring example of this omission, I may refer to page 305 of Messrs. Rowntree and Sherwell's book. They show that Portsmouth, a rural town situate in New Hampshire, collects a revenue from licences of all kinds amounting to the astonishing sum of £647 per 1,000 inhabitants. They do not explain that Portsmouth is situated on the boundary-line of the Prohibition State of Maine, and that, just on the other side of the boundary is a Government Navy Yard ! Of course, it is not every city that is situated on the confines of a Prohibition State. The majority of cities have, however, large "dry" areas near them. Hence it is grossly unfair to compare the cities of the two countries. The comparison should be between the countries as a whole, or between the United Kingdom and a State of the Union.

Thus Messrs. Rowntree and Sherwell establish in their tables and diagrams a ratio which is entirely exaggerated, and would lead one to suppose that the revenue that would be derived from licences in this country under the American system would be quite 10 times as great as we at present obtain.

This exaggerated view runs through Messrs. Rowntree and Sherwell's book. As an instance of this I will quote from p. 476 :—

" . . . Publicans in Massachusetts pay, on the

average, more than *fifteen times* as much as publicans in this country."

This statement, taken by itself, is approximately correct, but it should be modified by taking into consideration the fact that fewer licences are issued, as I will now show.

Massachusetts is comparable with this country because only a limited number of licences are granted. In the year 1908 the number of saloon licences issued in this State was 1660, and the estimated population was 3,192,192 (official). This is very nearly one licence to every 2,000 persons. In the United Kingdom in the same year one licence was issued to every 500 persons. That is to say, the Massachusetts saloon-keeper supplied on the average four times as many people as a publican in the United Kingdom.

If, now, we calculate the amount of the licence duty in proportion to the population served by the average licence, we must divide Messrs. Rowntree and Sherwell's fifteen by four, which gives us three and three-quarter times.

Messrs. Rowntree and Sherwell's statement, to be complete, should have been as follows :—

Publicans in Massachusetts pay, on the average, more than fifteen times as much as publicans in this country, but as each publican serves an average of four times as many people, it would be correct to say that the Massachusetts publican pays three and three-quarter times as much for his privilege as does the British publican.

Messrs. Rowntree and Sherwell on p. 347 write :—
 “. . . If the Massachusetts rates of licence duty and the Massachusetts ratio of licences to population were adopted here . . . the revenue from publicans' licences would be increased by nearly £8,500,000 per annum.”

The exact figure is £8,400,618¹; moreover, it includes the revenue not only from publicans' licences but from all licences.

Messrs. Rowntree and Sherwell do not give any prominence to this figure, which from a broad comparative point of view is in my opinion by far the most valuable that is to be found in their book. It gives us an accurate figure with which to work.

If the British licence duties were increased so that they yielded the same sum in proportion to the population that the Massachusetts licences yield, then, instead of £2,228,781, we should obtain £8,400,618 more, making a total of £10,629,399. This is equal to $4\frac{3}{4}$ times² the present yield. When we remember that the licence duties in Massachusetts are very high indeed; I do not think I shall be charged with unfairness if I take this multiplier, $4\frac{3}{4}$, as showing (per 1,000 of the population) the difference between the licence revenue in England and in a very high licence State.

¹ The figures can be checked from R. and S., p. 405 *et seq.* British licence duties, £2,228,781; Massachusetts licence duties, all kinds, £738,697. Population, 1905, 43,221,123 and 3,003,680. The latter figure is erroneously stated by Messrs. Rowntree and Sherwell to be 2,805,346.

² The exact figure is 4.76.

Therefore I shall use this figure throughout. It is true there may be States which would show a higher multiplier even than this, though I doubt it. On the contrary, the great majority of States would be below it.

The fact of the higher licence duties in the United States in comparison with the United Kingdom is not in dispute, and indeed cannot be disputed, and one is puzzled to know why the authors should have thought it necessary to complicate so simple a fact with such a tangle of tables and diagrams.

The effect on the mind of the unsuspecting reader is cumulative. He naturally thinks that each diagram relates to an entirely different set of facts, and he ends by getting a very much exaggerated idea of the greatness of the American duties compared with the British. This may be a desirable impression to produce from one point of view, but the actual facts are more shortly and accurately described by the words:—The standard of licence duty in the United States is much higher than in the United Kingdom. If the State of Massachusetts be taken as a guide the licence revenue is four and three-quarter times as high in proportion to the population. In these five lines I claim to express the conclusions arrived at in 148 pages of Messrs. Rowntree and Sherwell's book.

**The Effect of Introducing High Licence into the
United Kingdom.**

I do not think that Messrs. Rowntree and Sherwell have in any part of their book brought forward any definite proposal as to the amount of the high licence duties which they consider should be levied in this country. They unhesitatingly condemn our present system both on the grounds of inadequacy and of unfairness; and, as they never find a word of fault with any of the American systems, I presume we are asked to consider them as without material blemish.

Yet let us examine for a moment their charge of unfairness against the English system.

They devote some thirty or forty pages to "the inequalities of incidence" (p. 172), and they variegate the printed matter with several full-page diagrams. But in reality the whole of the information (as to public houses) is contained in the table on p. 174. This table accurately states the percentage to which the licence duty amounts when it is calculated on the mean annual value of the premises. The point is fairly put and the calculations are accurate. The table shows how very much greater the burden of the licence duties is on the small house than on the big, and the authors indulge in a wealth of adjectives to describe this condition of things.

Let us compare in this respect London with New York :—

Annual Value.	London. ¹		New York City.	
	Rate of Licence Duty.	Per Cent. of Mean Rateable Value.	Rate of Licence Duty.	Per Cent. of Mean Rateable Value.
£25 and under £30 ...	£14	50·9	£205	745·5
40 " " 50 ...	20	44·4	205	455·5
50 " " 100 ...	25	33·3	205	273·3
100 " " 200 ..	30	20·0	205	136·6
400 " " 500 ...	45	10·0	205	45·5
1,000	60	6·0	205	20·5
2,000	60	3·0	205	10·2
5,000	60	1·2	205	4·1

It will be seen at once how very much greater the inequalities of incidence are in New York than in London. Yet our authors speak of the English system as being "anomalous, notorious, indefensible, incredible," &c., whilst the New York duties are held up unscathed for our admiration.

I will not press this point, because, to do the authors justice, they nowhere propose to introduce the American system in its entirety. The most definite statement of their ideas is on pp. 193 and 194.

"It is not suggested that the large houses should necessarily pay the same percentage of rateable value that is paid by the small houses. That is clearly impracticable, although the assumption underlying the choice of the existing basis of taxation is that

¹ If to the licence duty in England is added the amount payable for rates and taxes on the premises, and from the total thus obtained, a fair deduction is made for the rates, etc., payable on the premises themselves (without a licence), the resulting figure will be the total of the duties and taxes paid for the licence. If this is done for houses of varying annual value, quite a different scale of graduation is obtained. It shows the real taxation to be very much fairer than is supposed.

annual value is a reliable guide to the value of a licence. A house rated at less than £30 has no difficulty in paying a licence duty equal to from 50 to 60 per cent. of its annual value, but it is clearly impossible for a house rated at, say, £10,000 to pay a similar proportion of its annual value. The choice, however, does not lie between a necessity of this kind and acquiescence in the present inequalities. Even if the present basis of taxation be the only practicable one—and this, as we have shown, is a highly questionable supposition—it is certainly not impossible, by a revision of the scale of duties, to reduce the existing inequalities to more tolerable limits. The small houses should not be asked to pay less, but the large houses should be compelled to pay considerably more.”

From this I gather that Messrs. Rowntree and Sherwell would not interfere with the rate of duty on the small houses (below, say, £30), but that they would increase the duties on the bigger houses—though not to the full proportion of their rateable value. If this is a correct view of their position, the taxation so imposed will bring in only a fraction of the immense sums of which Messrs. Rowntree and Sherwell speak in their book, and indeed very much less than the $4\frac{3}{4}$ times that I propose to take as the basis of my calculations.

But this is not the American system of high licence. There, all the houses in a locality pay the same duty regardless of size or value. In calculating

the yield that might be expected from such a system on this side, it must be remembered that a very large proportion of the small houses would not be able to pay, and would have to close. Very few of the 17,393 public houses in Ireland would remain open. 7,190 of them are under £10 in annual value, and a very small addition to their licence duties would undoubtedly close them. Messrs. Rowntree and Sherwell (p. 322) show what happened in Philadelphia. In 1887 the licence duty was £15, and there were 5,773 saloons, or 5·8 per 1,000 of the population. In 1888 the duty was raised to £105. The saloon licences taken out numbered only 1,340, or 1·33 per 1,000 persons ; that is, more than three saloons out of every four had to be closed on account of the extra payment.¹

However, for the purpose of comparison later on we will assume that the introduction here of the American system is feasible, and that the yield would be in the same proportion to the population as it is in the extreme case of the State of Massachusetts—that is $4\frac{3}{4}$ times our present yield.

For comparison I will take an average of the last three years.² During this period, the annual average

¹ Messrs. Rowntree and Sherwell throughout their book refer to the extinction of licences by means of taxation as the "economic check." There is great virtue in a name. But surely this is a misapplication of the term ! The words may, or may not, be technically correct, but they certainly convey to the average man something higher and nobler than extinction by high taxation, which is the real meaning of their phrase.

² The last three years in the United Kingdom end March, 1908, and for the United States June, 1908. Throughout this work an average of these three years is taken for comparative purposes.

yield from licence duties collected in the United Kingdom was £2,227,399 ; and, if we multiply this by $4\frac{3}{4}$, we obtain the sum of £10,580,146 as the probable yield under the Massachusetts system of high licence.

These figures give an accurate comparison of the results of the low licence system of the United Kingdom, and of the high licence system of the State of Massachusetts. We shall have to refer to them again in Chapter III, when the proportion they bear to the total taxation of the liquor trade will be examined.

**The effect of introducing the British Standard of
licence duty into the United States.**

At this point I will, for future reference in this book, make an estimate of what the total yield of licence duties in the United States would be under British rates. This is easy to estimate if we follow Messrs. Rowntree and Sherwell's example and adopt the population ratio. The yield in the United Kingdom being £2,227,399 (as stated above), the yield at the same rate in the United States¹ would be £4,302,930.

With regard to the actual yield from licence duties in the United States we must make the best estimate we can.

We know that in the year 1896 it was £11,788,955.

¹ The mean population of the United States for the three years is taken as 85,000,000, and that of the United Kingdom as 44,000,000.

This figure was the result of the labours of a special Commission appointed by the Federal Government, and it is the latest figure we have. Since then, undoubtedly, licence duties have been raised in many States of the Union.

Messrs. Rowntree and Sherwell in their book continue to use the figure £11,788,955 with the remark that it is now considerably higher. I should like to obtain something nearer than this ; and, after considerable thought, have decided to adopt the figure £14,000,000. I think this is a somewhat liberal estimate, at the same time I expect it is nearer the truth than the 1896 figure.¹

¹ The estimated total licence revenue in the United States is less than $4\frac{3}{4}$ the estimated yield under British standard, because the State of Massachusetts, upon which the figure of $4\frac{3}{4}$ is based, imposes an exceptionally high rate of licence duty. In Arizona, for instance, the highest duty is only £40, and in New Jersey the rate even in the large cities is only £60.

CHAPTER II

THE DIRECT TAXATION OF LIQUOR

WE have so far only dealt with the licence duties paid in the two countries. These, however, form relatively a small proportion of the whole taxation. By far the larger portion of the taxation is levied directly on the liquor itself.

Just as the licence duties are admittedly higher in the States, so it is undisputed that the liquor taxes are considerably higher in this country. In order to form a just idea of the total taxation in the two countries, it is necessary to calculate the effect of the liquor taxes separately, and then to combine the results with those of the licence duties so as to obtain a survey of the taxation as a whole.

Messrs. Rowntree and Sherwell, on p. 388, say :—
“ Examination of the American figures naturally provokes the question why, if such high licence duties can be readily enforced there, similar or approximately similar duties are not enforced here ? The difference in the licence duties in the two countries is certainly not adequately explained by the lower taxation of beer and spirits in the United States, although it

may be that, in the case of the spirit duty, the lower rate does offer a partial explanation."

This being their view we turn to their book in the expectation of finding proof that "the difference in the licence duties in the two countries is certainly not adequately explained by the lower taxation of beer and spirits in the United States." We should also expect to find space devoted to the direct taxation of liquor in proportion to the importance of the subject, and also in proportion to the space they give to the licence duties. We find, however, a total of seven pages (pp. 388-394) devoted to this subject. Of this beggarly allowance no less than two and a half pages are devoted to brewers' and distillers' licence duties, and this portion is so worded that any but a very careful reader would think that these licence duties were something which had not been already dealt with in the 148 pages devoted to that subject; whereas, in reality, these duties have already been included on pages 274 *et seq.* of Messrs. Rowntree and Sherwell's book, under the heading:—"Revenue from all kinds of liquor licences (Wholesale and Retail)."

Moreover these duties are included in the proceeds of licence duties in the State of Massachusetts (R. and S., pp. 347 and 408), and in all figures purporting to show the yield of licence duties in the States of the Union. Under any circumstances they have nothing to do with the direct taxation of liquor, and it is misleading to include them under that heading.

Returning to the question of the space devoted by Messrs. Rowntree and Sherwell to the direct taxation of liquor, I find it amounts to about two pages, but there are also a number of other figures relating to this subject intermixed with other matter on pp. 397—400.¹

There are 14 full page coloured diagrams devoted to the admitted disparity between the taxation of licences in the two countries, but I have been unable to find a single diagram separately illustrating the comparative direct taxation of liquor. I think it would have been more fair if Messrs. Rowntree and Sherwell had devoted a more generous share of their attention to that portion of the taxation which does not support their case.

It is quite simple to apply here the method of comparison between the two countries adopted by Messrs. Rowntree and Sherwell when dealing with the licence duties. They there calculate what the effect would be on English revenue if the United States rates were put in force here, and then compare the results with our present revenue. This is a perfectly sound comparison, and I will follow it and will supplement it by applying the British rates to the United States, and noting what the result would be over there.

Turning to the actual rates of United States

¹ It is true Messrs. Rowntree and Sherwell devote twenty pages to the comparative taxation of absolute alcohol. This, however, is only one of several ways of regarding the taxation. It brings in several debatable questions, and it will be dealt with under the heading of Total Taxation, Chap. III.

customs and excise duties, we find in Messrs. Rowntree and Sherwell's book very complete figures worked out on the basis of the British Imperial gallon and the Pound Sterling. I have checked these figures and find them perfectly correct; therefore I will accept them as they stand (pp. 390, 397a, and 398).

	Average Rates of Duty.	
	United States.	United Kingdom.
Beer Per barrel	s. d. 5 10 $\frac{3}{4}$	s. d. 7 6 $\frac{1}{4}$ ¹
Wine—Home-grown ... Per gallon	Nil.	—
Imported „	3 10	2 0 $\frac{1}{2}$
Spirits, at proof „	5 8 $\frac{1}{2}$ ²	11 0 $\frac{3}{4}$ ³

If we examine the items separately we see that beer is taxed considerably higher here than in the States, and spirits are very nearly twice as highly burdened in this country.⁴ Imported wine alone is more highly taxed with them. This is done to “protect” home-grown wine—which pays no taxes.

It is easy to see at a glance that the United Kingdom standard of taxation of liquor (without licence duties) is greatly in excess of the standard in the United States. The actual extent of such excess is not so apparent, but it can easily be arrived at

¹ R. & S., p. 391.

² The figure used by Messrs. Rowntree and Sherwell (p. 397a) is 5s. 7 $\frac{1}{4}$ d. I calculate that, at the present time, this is somewhat higher. I have therefore taken 5s. 8 $\frac{1}{2}$ d. as an average of the total duties.

³ Average.

⁴ I must protest against Messrs. Rowntree and Sherwell's reiterated reference to the taxes which were imposed on beer and spirits in 1900 as “temporary taxes.” Messrs. Rowntree and Sherwell must know that in 1907 these taxes were made permanent by Mr. Asquith.

by applying the standard of taxation of either country to the amount of liquor consumed in the other. If we then compare the results with the revenue that is being obtained under the standard actually in force, we shall see at once to what extent the standards differ.

We will first apply the British rates of taxation to the United States. There are absolutely no difficulties in the way. Spirits are taxed in both countries on their strength, proof spirit being the basis. Imported wine is only a small item. The taxation on it varies according to the strength and variety of the wine. I have taken the average of these to be the same in both countries. There is probably a small deviation from this, but the figures are not large enough for the amount to be important. Beer is at first sight rather difficult, because it is taxed in Britain in proportion to its strength, whilst, owing to this not being the case in the States, there are no official figures to help us. In this difficulty I applied for information to Dr. Francis Wyatt, the well-known consulting chemist of New York, than whom there is no higher authority in the United States on the subject of the brewing industry. I was so fortunate as to find Dr. Wyatt engaged in writing a paper to be read shortly before a New York Society. For the purpose of that paper he had collected the very information of which I was in search. Dr. Wyatt very kindly gave me a synopsis of the results, which will, no doubt, be published (and procurable) by the time this is in print.

TABLE SHOWING AVERAGE ORIGINAL SPECIFIC GRAVITY AND STRENGTH OF AMERICAN BEERS.

	Number of Samples Tested since Jan., 1904.	Average Original Gravity.	Average Percentage of Absolute Alcohol by Volume.
Lager Beer	6,000	1048.0	4.38
"Ale"	1,469	1056.1	5.80
Average ¹	—	1048.7	4.51

Now the British taxation amounts to 7s. 9d. per barrel of original gravity of 1055. This is equal to 6s. 10 $\frac{1}{3}$ d. on a gravity of 1048.7; and this, therefore, is the sum which the average barrel of American beer would pay under British rates of taxation.

We are now in a position to estimate the effect of *introducing British standards of taxation into the United States.*

EFFECT OF INTRODUCING BRITISH STANDARDS OF LIQUOR TAXATION INTO THE UNITED STATES.

Average of Three Years ending 1908.

	Quantity consumed in United States. Imperial gallons.	Annual Revenue Produced.		
		Yield under present United States Rates.	Under British Rates.	
			Rate.	Yield.
Spirits	109,210,557	£31,056,752	11s. 0 $\frac{3}{4}$ d.	£60,094,246
Wine—				
Imported ...	5,913,674	1,133,454	2s. 0 $\frac{1}{2}$ d.	603,687
Home-grown	37,498,347	Nil.	1s.	1,874,917
Beer	1,485,679,006	12,165,716	Barrel, 6/10 $\frac{1}{2}$	14,157,512 ²
Total	—	£44,355,922	—	£76,730,362

¹ "Ale" in the States means a beer brewed by the English method in contradistinction to "beer" (Lager). The consumption of "beer" is officially shown to be about ten times that of "ale." This fact is allowed for in these averages.

² The greater yield under British standards of taxation is really due



UNITED STATES REVENUE.

Sums actually obtained from the direct taxation of beer, wine, and spirits, compared with the sums that would have been obtained if British standards of taxation had been in force.

AVERAGE OF THREE YEARS ENDING 1908.



The difference between these two totals is £32,374,440, equal to an increase of 73 per cent. on the present yield. The British standard of duty on liquor, therefore, if introduced into the United States, would increase their annual revenue by no less a sum than £32,374,440 (licence duties excluded). Plate I. shows these results in the form of a diagram.

I will now reverse the process to show the effect on the British revenue if the United States standard of duty were introduced here. In this calculation we have to take into account the protective duty levied by the United States on imported liquor. There is, in addition to the amount of the Excise duty, a protective duty on imported spirits of no less than 5s. 9d. a gallon. The consequence of this is that less than 3 per cent. of the spirits consumed are imported.

In this country, on the other hand, there is no protective duty, and in consequence $17\frac{1}{2}$ per cent. of the spirits consumed are imported. Now about two-thirds of this imported spirit is rum, which can be manufactured in our own country at about 1s. 6d. per gallon. It is evident, therefore, that if the above to the higher taxation of spirits in the United Kingdom. The taxation of beer in the two countries, if we take a portion of the licence duties into the calculation, is not unequal.

It is impossible to give exact figures, because we cannot strictly apportion the licence duties between beer and spirits—retail licences include the sale of both. I think the fairest way is to divide the licence duties in proportion to the revenue derived from the direct taxation of beer and spirits respectively.

If we take this as a rough guide, we find that taking licence duties into consideration in both countries, there is little or no difference in the total taxation borne by beer,

protective import duty of 5s. 9d. per gallon were placed on rum, the importation would cease and the spirit would be manufactured here. The same applies to brandy, much of which we make already, though, of course, we should continue to import the best French brandies just as the United States imports Scotch whisky to a limited amount.

In considering, therefore, the rate of American spirit duty which should be applied to this country, I think the fairest way is to assume that the relation between imported and home-manufactured spirits would be the same as it is in the United States, and therefore to apply the average American rate of duty.

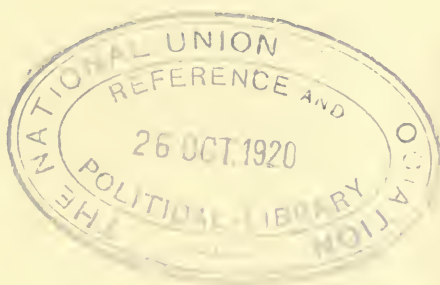
On this basis, the following figures show what the effect would be of introducing the American standards of taxation into this country.

EFFECT OF INTRODUCING UNITED STATES STANDARDS OF LIQUOR TAXATION
INTO THE UNITED KINGDOM.

Average of Three Years ending 1908.

	Quantity Consumed in the United Kingdom. Imperial gallons.	Annual Revenue Produced.		
		Actual Yield under present British Rates.	United States Rate.	Yield under United States Rate.
Spirits	39,564,018	£21,819,917	5s. 8½d.	£11,251,017 ¹
Wine	12,085,370	1,197,152	3s. 10d.	2,316,363
Beer	1,213,027,668	13,080,089	Barrel, 5s. 10¾d.	9,933,068
Total ...	—	£36,097,158	—	£23,500,448

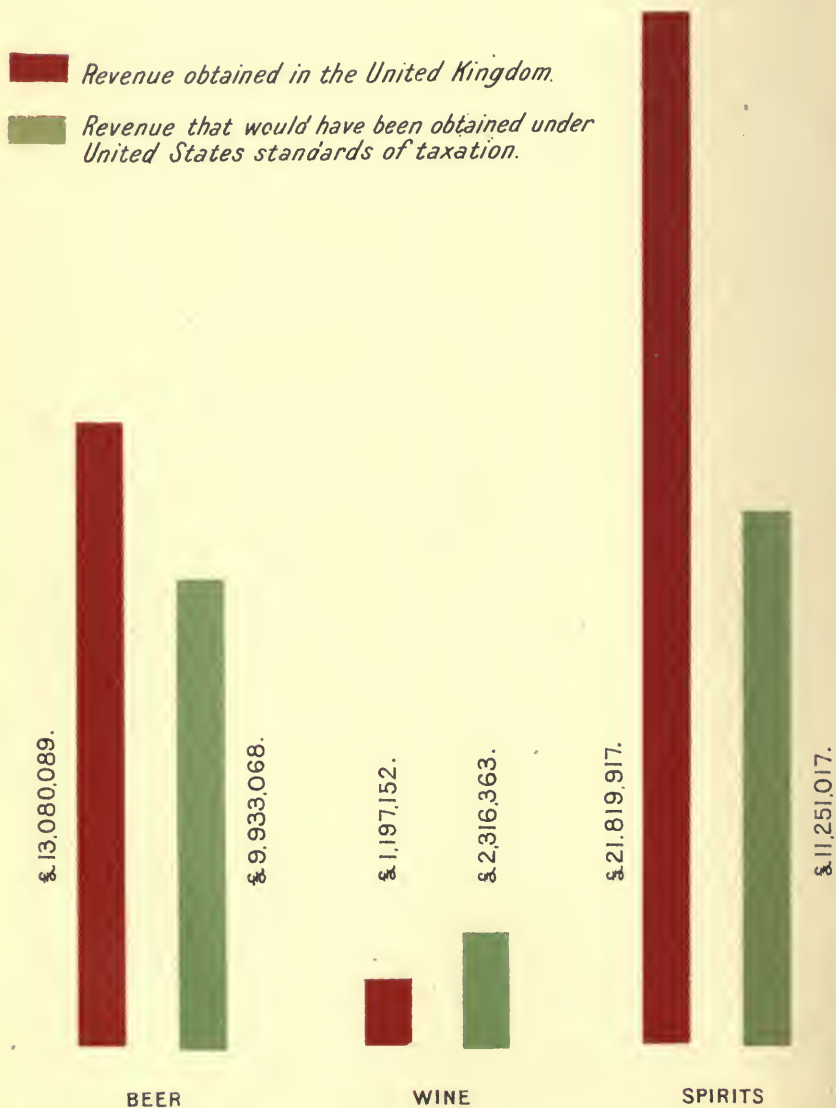
¹ This figure is based on the supposition that the relative proportion of imported and home-made spirits would under protective duties be the same here as in the States. If the figure be calculated on the present actual proportion of imported spirits it would be £1,990,563 higher than the figure given above.



UNITED KINGDOM REVENUE.

Sums actually obtained from the direct taxation of beer, wine, and spirits, compared with the sums that would have been obtained if United States standards of taxation had been in force.

AVERAGE OF THREE YEARS ENDING 1908.



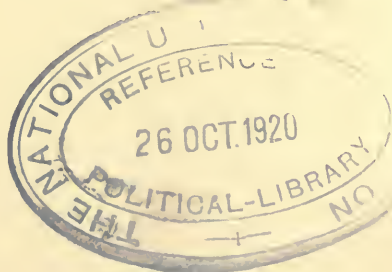
The difference between these two totals is £12,596,710. This shows that if we adopted United States standards of duty on liquors in this country the revenue would lose (excluding licence duties) the sum of £12,596,710, or 35 per cent. of the present yield.

We are now in a position to put these results into the form of a diagram, and this is done in Plate II.

Messrs. Rowntree and Sherwell, having devoted about two pages to the examination of the direct taxation of liquor, sum up their results in the following sentence (p. 395) :—

“The foregoing facts, although of great importance, are of general value only, but they are sufficient to indicate that the difference in the standards of taxation of beer and spirits (as distinct from the taxation of publicans’ licences) is not so great as the actual duties charged would seem to suggest.”

This seems a somewhat inadequate way of treating a “difference in the standards,” which applied to the United Kingdom would reduce the annual revenue by £12,596,710, and which applied to the United States would produce a yearly increase of revenue of £32,374,440.



CHAPTER III

THE TOTAL TAXATION OF THE LIQUOR TRADE

WE have hitherto dealt only with the separate items of taxation to which the liquor trade in the two countries is subject. It is now easy to bring these together, and so to prove which country imposes the higher tax on the trade. Messrs. Rowntree and Sherwell (p. 395) write : " The matter may, however, be brought to a decisive test by a comparison of the total taxation of the liquor trade (including the beer, wine, and spirit duties, and the licence duties) in the two countries."

In this I quite agree with them. I do not, however, agree with them when they go on to show the difficulties there are (in their opinion) in bringing the figures together for the purposes of comparison. On p. 396*a*, they come to the conclusion that "To make any comparison of taxation possible, therefore, it is necessary to reduce beer, wine, and spirits, to a common basis of absolute alcohol, and to compare the taxation on that basis." They then proceed to tell us

how they arrive at the absolute alcohol in the liquors, and they make their comparison on that basis—and on that basis only.

Now I must differ most emphatically from Messrs. Rowntree and Sherwell on this point. There are at the least two other means of comparison, and, in my opinion, they are both of them infinitely superior to the absolute alcohol basis.

(a) The first is to transfer in imagination the taxation of one country to the other, and then to observe whether the revenue in the second country would be raised or lowered thereby. This is the method adopted by Messrs. Rowntree and Sherwell throughout the whole of their long comparison of the licence duties of the two countries. Why they should cease to employ it when they come to a comparison of the total liquor taxation, I am at a loss to understand. If it is a good method (as I agree with them that it is) for the purpose of comparing the licence duties, surely it is equally good as a means of comparing the total taxation?

(b) The second method is to find out how much the average individual in each country spends in drink, and how much of that sum is due to taxation. If we express this as a percentage it will show us how the burden of taxation falls on the consumer in each country.

These are both exceedingly simple comparisons, easy to make for anyone who has the statistics.

I will take them in the above order, and then I

will take the absolute alcohol method and show why I think it objectionable.

(a) Comparison of the total liquor taxation by estimating the effect that the rates in force in one country would have, if they were introduced into the other country.

If we refer back to Chapters I and II on the Licence Duties and on the Direct Taxation of Liquor, we shall find that under these separate headings we have already obtained all the items which are requisite in order to make a complete comparison of the total taxation. The figures in the following table can readily be checked by referring to the tables in the preceding pages.

RESULT OF APPLYING BRITISH STANDARDS OF LIQUOR TAXATION TO THE
UNITED STATES.

Average of Three Years ending 1908.

	Revenue obtained at Present in the U.S.	Revenue that would be obtained under British Rates.
Spirits	£31,056,752	£60,094,246
Wine... ..	1,133,454	2,478,604
Beer	12,165,716	14,157,512 ¹
Licences	14,000,000	4,302,930
Total	£58,355,922	£81,033,292

We find from this that under the British
standard the total yield of the taxation
would be

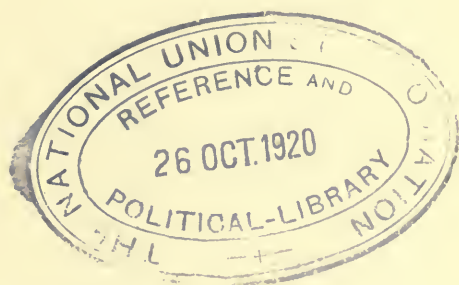
The present yield is

The difference is

£81,033,292
58,355,922

£22,677,370


¹ See footnote, *ante* p. 25.




UNITED STATES REVENUE.

Total amount actually obtained from the taxation of liquor and from license duties, compared with the amount that would have been obtained if British standards of taxation and of duty had been in force.

AVERAGE OF THREE YEARS ENDING 1908.

 *Revenue actually obtained in the United States.*

 *Revenue that would have been obtained under British standards of taxation.*



\$58,355,922.



\$81,033,292.

This sum of £22,677,370 represents the amount by which the total taxation of the liquor trade of the United States would be increased if the British standards of taxation (both for licences and liquor) were adopted in the States. See Plate III. It is equivalent to an increase of nearly 39 per cent. on the present total rate of taxation.

Now let us carefully consider the argument. It is asserted that the liquor traffic is less taxed with us than in the States. On this assumption it must follow that if we were to tax liquor and licences in the United States at the same rates as in the United Kingdom, the proceeds of that taxation would be less than they are at present. I think this is quite plain. In other words, if the United States, by means of their existing standards of taxation, derive a certain revenue from the liquor traffic, it is evident that if they were to introduce a lower standard of taxation, they would get a smaller revenue. But we have shown that the introduction of the British standard would produce a much larger revenue. Therefore it follows that the liquor traffic in the States is less taxed than is the case with us.

As I have shown, the increase of revenue would be nearly 39 per cent.

This calculation is of such importance that it will be well for us to take each item separately, and to enquire what possibilities of error it contains.

By far the largest item in the account is spirits. Here, fortunately, there is absolutely no room for

difference of opinion. The basis of taxation (proof spirit) in the two countries is entirely the same, and the proceeds of British taxation in the United States can be calculated by a simple rule of three sum, which admits of no dispute. This is fortunate, because it is such a large item that if any factor in it had to be guessed or estimated it would cast doubt on the whole calculation.

The next item is wine. The imported wine needs no further comment.¹ Home grown wine would, no doubt, be taxed in England at the same rate as imported wine, just as British beer and spirits pay the same taxes as imported liquors. I have, therefore, charged the wines at 1s., the minimum rate.

The third item of taxation is beer. In this country taxation of beer is according to its strength, and there is the difficulty I pointed out in the last chapter, that there are no official figures of strength in the United States. I think, however, the evidence which I have produced is sufficient to convince that the figure taken is very near to the truth. However, even if this figure be not accepted as final, the amount by which it could be reduced would hardly be such as to affect materially the argument.

It will be noted that if the British rate of taxation of spirits were introduced into the United States, the revenue they would derive from this source alone would be greater than the total revenue they now

¹ See *ante*, p. 23.

derive from the taxation of their liquor trade, high licences included.

In other words, if the United States adopted the British rate of spirit duty, they would obtain more revenue under that heading alone than they now obtain under all their taxes on spirits, beer, wine, *and licences*.

As long as this simple calculation with regard to the taxation of spirits remains good, and I cannot see how it can be shaken, it is surely waste of breath to argue that liquor taxation is higher in the United States than it is here.

The last item in the comparison is "Licences," and as I have already pointed out the revenue at present obtained in the United States from this source is an estimate.

In making comparisons with the United States, we must either make a comparison with the States as a whole, in which case we can obtain the actual total consumption of liquor, but, on the other hand, the total of the licence duties has to be estimated; or we must compare with one of the individual States where the proceeds of the licence duties are officially published, but where, on the contrary, we have to estimate the consumption of liquor.¹ Now, if one has to estimate a figure, it is better in the cause of accuracy to estimate a small figure than a big

¹ It may be thought that it would be possible to estimate the liquor consumption in a State with some accuracy. I shall show later on that this is not so.

one. Then, if there be any error in your estimate, it will have a smaller effect on the total. In the case we are considering, the revenue from liquor is at least three times as great as that from licences, and an error in the latter has therefore much less influence on the results than an error of the same proportion in the consumption of liquor. I have, therefore, chosen the lesser of two evils in estimating the revenue derived from licences, and not that from liquor.

Also I have the gratification of knowing that even if the estimate is challenged—and I doubt whether any serious opponent will challenge it—no modification of it can greatly affect the final figure.

We will now proceed to calculate the effect that the United States scale of liquor taxation and the Massachusetts scale of licence duty would have if they were introduced into the United Kingdom.

The separate figures we already have in preceding pages.

RESULT OF APPLYING MASSACHUSETTS STANDARDS OF TAXATION TO THE
UNITED KINGDOM.


Average of Three Years ending 1908.


	Revenue at Present Obtained in the United Kingdom.	Revenue that would be obtained under United States Scale.
Spirits	£21,819,917	£11,251,017
Wine	1,197,152	2,316,363
Beer	13,080,089	9,933,068
Licences	2,227,399	10,580,146
Total	£38,324,557	£34,080,594

UNITED KINGDOM REVENUE.

Total amount actually obtained from the taxation of liquor and from license duties, compared with the amount that would have been obtained if Massachusetts standards of taxation and of duty had been in force.

AVERAGE OF THREE YEARS ENDING 1908.

 *Revenue actually obtained in the United Kingdom.*

 *Revenue that would have been obtained under Massachusetts standards of taxation.*



£38,324,557.



£34,080,594.

We see from this table that the average revenue derived by the United Kingdom from the total taxation of liquor and licences during the last three years was £38,324,557 per annum. If the standard of taxation enforced in Massachusetts had been imposed instead of the British standard, the average revenue would have been only £34,080,594, showing an annual decrease of £4,243,963, or 11 per cent. See Plate IV.

We now have the complete figures of the comparison of the total taxation of the liquor trade, and we arrive at the same conclusion whether we apply the British standards of taxation to the United States, or whether we apply the American standards of taxation to the United Kingdom. In both cases, the total revenue accruing to the National Exchequer is smaller when the American standards of taxation are used, and is greater when we use the British standards.

That is, whether we take the United States or the United Kingdom, the total revenue derived from the liquor trade is smaller when the standards of taxation prevalent in the United States are used, and is greater when we use the standards of taxation that are in force in the United Kingdom.

It is difficult to see how clearer proof could be adduced that the taxation of the liquor trade is higher in Britain than in the States.

(b) A further means of comparing the taxation in

the two countries is to calculate the burden on the average inhabitant. If we take as usual the three years ending 1908, we find that on an average each inhabitant of the United States paid in liquor and licence taxation 13s. 8 $\frac{3}{4}$ d., and each inhabitant of the United Kingdom paid 17s. 6 $\frac{3}{4}$ d. These amounts include the total taxation of the trade, both liquor and licence duties.

Taken by themselves, these figures are not positive proof of the relative taxation. If, however, we ascertain the sum that the average person spends in drink, we shall be able to show what proportion of this sum is due to taxation. Thus, we shall obtain comparative figures showing how the individual consumer is affected by the taxation of liquor in the two countries.

In this country Dr. Dawson Burns publishes annually what is termed a "Drink Bill," and he makes the expenditure per head on an average of the three years ending 1907 to be £3 16s. In the United States a similar "bill" is published by *The American Grocer*. As this is referred to by Messrs. Rowntree and Sherwell (p. 542) as "an authoritative estimate," we shall not be wrong in quoting it. The first thing that strikes one about this latter "bill" is that it includes all "stimulating beverages," such as tea, coffee, and *cocoa*, as well as alcoholic liquor, and the writer deplors the waste of the nation's money thereon. However, taking the alcoholic items con-

tained in the drink bill, we arrive at an expenditure of £3 10s. 5d. per head.¹

	<i>Per capita. Average of Three Years ending 1907.²</i>		
	Sum spent on Alcoholic Drink.	Taxation.	Percentage of Taxation on the sum spent.
United Kingdom ..	£3 16s. 0d.	17s. 6 $\frac{3}{4}$ d.	23.11
United States	£3 10s. 5d.	13s. 8 $\frac{3}{4}$ d.	19.50

We here again have evidence of higher taxation on this side of the Atlantic. It comes to this. If a man spends 100 pence in drink in this country the British Government take 23 pence of it in taxes, whereas in the States the American Government would only take 19 $\frac{1}{2}$ pence.

I do not for an instant suggest that these figures merit the same attention as do those which I have given directly comparing the taxation of the two countries. They do not. They are founded on figures collected by eminent teetotallers, and some of these figures are distinctly open to objection. Still, I think they are figures which are fairly comparable, and certainly they cannot be objected to as coming from trade sources.

¹ I have examined *The American Grocer's* calculations, and I am convinced that compared with Dr. Burns' they considerably understate the total. Two other American Drink Bills that are published make the amount considerably higher. The *National Prohibitionist* (published Chicago, Feb. 4, 1909) makes it come to £5 3s. 0d. per capita, as compared with £3 10s. 5d. quoted above. If we took these figures instead of the *American Grocer's* figures, we should find a still lower percentage of taxation in America.

² The American figures for the year 1908 are not yet published.

They form corroborative evidence (if such be needed) that liquor taxation is higher on the whole in the United Kingdom than in the States.

The Absolute Alcohol Method of Comparison.

We now come to Messrs. Rowntree and Sherwell's method of comparing the total taxation of the two countries. It may be called the absolute alcohol method, because it consists of calculating the amount of absolute alcohol contained in the various liquors, adding them all together, and then dividing the total taxation by this number of gallons, the result being a figure representing the average taxation per gallon of absolute alcohol.

The calculation is not a complicated one, but it is open to serious objections.

It is the aim of all civilised Governments in taxing alcoholic liquors, not only to raise revenue, but also to guide the public taste towards the consumption of the less alcoholic beverages. With this object in view, licences to sell beer and cyder are usually granted under much easier conditions than licences to sell spirits. That this is an old-established policy in this country, is evident from the fact that in the year 1830 the Beer Bill was passed, authorising any householder who paid rates to sell beer, but not spirits, on payment of £2 2s. per annum. At the present time a beer house licence costs £3 10s. irrespective of the size of the house,

but the number is strictly limited. Reference to the table on a previous page will show that these licences are much cheaper than licences which include the right to sell spirits.

Another means which Governments take to attain the same object is by taxing alcohol in strong drink at a very much higher rate than alcohol in weaker and, presumably, less harmful drinks.

In this country alcohol in whisky is more highly taxed than that in port. Alcohol in port is more highly taxed than that in claret. Claret being a much stronger drink than beer, is, as regards its alcohol, more highly taxed than beer, and cyder escapes taxation altogether.

This gradation of taxation is intended to help to direct public taste to drinks containing small quantities of alcohol, *e.g.*, beer in preference to spirits; and, undoubtedly, it has been a great cause of the preponderance of beer drinking over spirit drinking in this country.

In the United States a gallon of absolute alcohol when contained in whiskey is taxed 9s. 10d., whilst a gallon of alcohol contained in beer is taxed 3s. 7½d.

In the United Kingdom a gallon of absolute alcohol in the form of whiskey is taxed 19s. 4d., whilst the same amount of alcohol when contained in beer is taxed 4s. 2d.

The difference between the taxation of the strong and the weak liquors is vast, yet Messrs. Rowntree

and Sherwell, by reducing all liquors to terms of "Alcohol," entirely ignore it.

By Messrs. Rowntree and Sherwell's method of comparison a man who in the course of the year drank a gallon of alcohol in spirits, and paid 9s. 10d. in taxation is unfairly taxed, because it can be shown that a friend of his who drank the same amount of alcohol in beer paid 3s. 7½d. Yet this conclusion would not be correct. The difference between the 3s. 7½d. and the 9s. 10d. is the penalty that the Government thinks right to inflict on the man who will drink spirits instead of confining himself to the weaker form of liquor. This is a parallel case to that of the two countries under discussion. The average American drinks more spirits than the average inhabitant of the United Kingdom, who, on the other hand, drinks more beer.

The actual figures for the three years ending 1908 are shown in the following table :—

PER CAPITA CONSUMPTION OF LIQUOR IN IMPERIAL GALLONS.

Average of Three Years ending 1908.

	Spirits.	Wine.	Beer.
United Kingdom	0·91	0·27	28·78
United States	1·27	0·51	17·32

It will be seen from this table that the average American drinks nearly half as much spirits again as the average inhabitant of the United Kingdom, whereas the latter drinks half as much beer again as the American.

In order to test the absolute alcohol method, let us take a practical example of its effects. We will assume, for a moment, that the taxation per gallon both on beer and spirits is the same in two countries. Since alcohol is more highly taxed in spirits than in beer, it follows that by the absolute alcohol method the average taxation per gallon of absolute alcohol is greater in the country showing the greater consumption of spirits in proportion to beer. Messrs. Rowntree and Sherwell would by their absolute alcohol method conclude that the standard of taxation was higher in the spirit-drinking than in the beer-drinking country. But we started with the hypothesis that the standard of taxation was the same, therefore the absolute alcohol method has led us to a completely incorrect conclusion.

This, however, constitutes by no means the only objection to the absolute alcohol method.

Except in the case of spirits the percentage of alcohol is not a fixed factor. It is a matter of opinion, and lends itself to wide divergences. I shall show on the following page that the percentage of alcohol accepted by Messrs. Rowntree and Sherwell as the average for American beer is considerably below the truth. This makes a large difference in the results.¹ Also they produce

¹ Messrs. Rowntree and Sherwell take 5 per cent. as the average alcoholic strength of beer in the United Kingdom. They show (p. 533) that the average gravity of the beer is 1053·44. I am of opinion that 5 per cent. of alcohol is quite high enough for a beer of this gravity. On p. 397 (footnote) Messrs. Rowntree and Sherwell state that the average alcoholic

no proof of their wine percentages, which are, I think, very incorrect. I am, therefore, justified in saying that their results are founded on figures which are not sufficiently established.

Having now stated my reasons for saying that the absolute alcohol method is a bad and untrustworthy method of making the comparison between two countries, and is, moreover, a method whereby the spirit drinker will always appear to be more highly taxed than the beer drinker, I will show in the following table that even by this inaccurate method the United States taxation does not appear to be so high as the British. I take the average of the last three years, as before, and the figures relating to consumption and revenue will all be found in the previous pages. The absolute alcohol is calculated from Messrs. Rowntree and Sherwell's figures throughout with the exception of American beer. This they estimate as containing 4 per cent.¹ of alcohol. I have already produced strong evidence from Dr. Francis Wyatt² showing that $4\frac{1}{2}$ per cent. of alcohol by volume is about the right figure, and Messrs. Rowntree and Sherwell produce no evidence whatever in support of their figure. Therefore I have used $4\frac{1}{2}$ per cent., instead of 4 per cent., in calculating the average alcohol in American beers.

strength of their samples of beer was over 6 per cent. This is accounted for by the fact that their samples were not fair samples of the fourpenny beer of the country. I shall refer again to this matter in Chapter IV.

¹ R. and S., p. 397.

² See *ante*, p. 24.

TABLE SHOWING THE AMOUNT OF ABSOLUTE ALCOHOL CONSUMED.

Average of Three Years ending 1908.

	United Kingdom.		United States.	
	Per Cent. of Absolute Alcohol.	Imperial Gallons of Absolute Alcohol.	Per Cent. of Absolute Alcohol.	Imperial Gallons of Absolute Alcohol.
Spirits	57	22,551,490	57	62,250,017
Wine	15	1,812,805	10½	4,558,262
Beer	5	60,651,383	4½	66,855,555
Total	—	85,015,678	—	133,663,834

I have already shown in separate tables the amount of the actual yield of the duties on liquor and licences for these three years. If these duties are divided by the gallons of alcohol shown above, we obtain the following figures :—

TOTAL TAXATION PER GALLON OF ABSOLUTE ALCOHOL.

Average of Three Years ending 1908.

	United Kingdom.	United States.
Spirit, Wine, and Beer Duties	8s. 5¾d.	6s. 7½d.
Licence Duties	6¼d.	2s. 1¼d.
Total	9s. 0d.	8s. 8¾d.

From this it will be seen that even by the absolute alcohol method of comparison the United States is less highly taxed than this country. It must also be borne in mind that the method makes the spirit drinking country appear to have a higher standard

of taxation than is really the case. As taxation is shown in the above table to be higher in the United Kingdom than in the States, it is evident that in reality the standard of taxation in the United Kingdom is very much higher than the table shows, since the proportion of spirits as compared with beer consumed in the United States is more than double that in the United Kingdom.

Before closing this chapter, I must make a short reference to the diagram and tables connected with this subject published by Messrs. Rowntree and Sherwell. On p. 400, Plate XXIX, we find a diagram of the total taxation per gallon of absolute alcohol in 1896. I regret to find in a work dealing with the position of the taxation on liquor at the present time a diagram illustrating the position twelve years ago without some more prominent notice of the fact that since 1896 the taxation in this country has been materially increased, and that there have been other alterations in the circumstances which render it now entirely misleading.

Plate XXX, p. 408, of Messrs. Rowntree and Sherwell's enquiry is an attempt to compare the taxation of some of the individual States in the United States with that of the United Kingdom. The States chosen are Michigan, Massachusetts, and New York. Now in the case of some of the individual States it is possible to ascertain accurately from official sources the total amount of the licensee duties. This is satisfactory ; but, on the other hand,

there is no means whatever of ascertaining the consumption of liquor, and this is just as necessary to the calculation as the amount of the licence duties. Indeed, it is of much greater importance that this factor should be accurately stated, because it is a very much larger amount. Now Messrs. Rowntree and Sherwell get over this difficulty by "assuming" that the consumption per head in each State is the same as that in the United States as a whole. There are absolutely no grounds for any such assumption—in fact everything points to very great divergences indeed. For instance, some six or eight of the States are under prohibition more or less rigidly enforced. Temperance advocates, at any rate, cannot object to the argument that consumption in a Prohibition State is but a fraction of what it is in a "wet" area.¹ The amount drunk in the remaining States must therefore be greater than the published figures, yet Messrs. Rowntree and Sherwell make no allowance for this. Then again nearly one-third of the inhabitants of the United States live in "no licence" areas included in "wet" States, and, where these areas are large, it is to be presumed that the inhabitants consume less than the average. Thus, a State having few "dry" areas would, other things being equal, consume more *per capita* than the average.

¹ I refer, of course, only to liquor which has paid tax to the Government. Illicit liquor does not come within our calculations. The amount of this in prohibitionist States is a disputed point. Georgia went "dry" in the beginning of 1908, and in the first twelve months 397 illicit distilleries were seized.

The State of New York has about 10 per cent. only of its population living in "no licence" areas ; but no allowance is made for this fact by Messrs. Rowntree and Sherwell.

Again, the amount and the kind of drink in different places varies much according to the original nationality of the settlers. Wisconsin, for instance, is a German State, and the beer brewed there (and probably consumed there) is 55 imperial gallons per head as against 17·3 for the whole country.

It is a well known economic law that the *per capita* consumption of liquor increases with the density of the population. Spirits do not alter much, but the *per capita* consumption of beer is far greater in thickly populated districts than it is in a sparsely populated country. The reason of this is, that a scattered population of farmers do not find it easy to get beer—the cost of transport on so heavy an article being almost prohibitive. Now the United States, taken as a whole, has a population of 28 persons per square mile. The State of Massachusetts, on the other hand, has 360 persons to the square mile.¹ Yet Messrs. Rowntree and Sherwell "assume" that the *per capita* consumption of beer is the same in Massachusetts as in the whole of the States !

¹ Compare Pease, *The Case for Municipal Drink*, p. 63. Mr. Pease is the Secretary of the Fabian Society. He deals at some length with the question of the effect of density of population on the consumption of beer. From the figures which Mr. Pease gives, one would expect the *per capita* consumption of beer in Massachusetts to be quite double that of the United States as a whole.

That this is not the case is easily shown by the statistics of brewing in the more densely populated States. If we take New York, New Jersey, and Pennsylvania, a group of manufacturing States in the north-east, all comparatively densely populated, and enquire into the amount of beer brewed in these States, we shall form some idea of how the *per capita* consumption varies with the increased density of population. I take beer as the example, because it is in the vast majority of cases consumed not far from the brewery. In a country where the distances are so vast as they are in the United States the amount brewed in any large area, such as we are considering, may be taken roughly to be the amount drunk in that area. With spirits it is not so. With them the expense of transport is a comparatively insignificant figure. Therefore the amount distilled in a place is no guide to the local consumption.

Now we find that the three adjoining States of Pennsylvania, New York, and New Jersey, with a joint population of 17,433,000 (or one-fifth of the whole population of the United States), brew 611,930,000 Imperial gallons of beer (about two-fifths of the total brew of the United States). It is, therefore, evident that these States brew more than two and a half times as much in proportion to the population as do the remaining States, and there can be no reasonable doubt that they drink in the same proportion; that is, at the rate of 35 Imperial gallons

per capita, or nearly double the rate of the whole of the United States.

New York State has the largest average of these three States, yet when Messrs. Rowntree and Sherwell calculate the consumption of liquor in this State they say (p. 409) "we have estimated it on the basis of the *per capita* consumption in the United States as a whole."

What value can be attached to calculations founded on such a faulty estimate? It is true that Messrs. Rowntree and Sherwell themselves, in a footnote on p. 412, destroy the value of their own previous calculation by suggesting that after all the average consumption of liquor may be somewhat higher in New York State than in the United States as a whole; and that instead of 14s. 1 $\frac{3}{4}$ d. as prominently stated on p. 410, the true figure may be only 11s. 10 $\frac{3}{4}$ d. per gallon of absolute alcohol. This seems nothing but guesswork. The new calculation is based on what they call a "very liberal estimate." It is an estimated *per capita* consumption of 23.6 gallons of beer per annum, whereas the evidence we have given above indicates an actual consumption of over 35 gallons.

I cannot, therefore, accept their "liberal estimate."

Enough has been said to show that this method of comparing the taxation of the United Kingdom with that of one State of the Union is mere guesswork. It naturally appeals to those who seek to establish a

case for higher taxation, but, on examination, it is shown to be quite untrustworthy.

The figures and diagrams on pages 401-414, based upon the consumption *per capita*, are contradictory and unreliable, and a comparison on the basis of absolute alcohol is, as already demonstrated, entirely misleading in principle, even when founded upon accurate figures, which these are not.

CHAPTER IV

THE TRADING PROFITS

The Manufacturer's Profit.—The price of malt and of hops in the United States is somewhat lower than in Great Britain.

The manufacturer's profit is, however, governed in the end by competition. The keener the competition, the finer profits have to be cut.

Now in a new and expanding country competition is not quite so severe as in an old country, and we find that manufacturers' profits are rather larger. Money is expected to bring in a better rate of interest. I think, therefore, that brewers and distillers in the States make rather larger profits than is the case in this country. But there, as in England, the small brewer feels competition keenly. The battle is to the strong. Medium-sized breweries, if well managed, can just keep going ; small breweries have difficulty in so doing.

I need not dwell any longer on this point, as it is much the same in both countries.

On the other hand, on account of the climate, the

manufacturing plant is more expensive than it is here, and the cost of wages is much higher.¹ The selling price of the beer on the whole is somewhat greater in the States than it is with us.

The Retailer's Profit.

Unfortunately, the trade of liquor dealer in the United States is very much discredited. This is partly the work of the teetotalers, who lose no opportunity of persecuting the "rum-sellers," and partly the result of the local veto law, under which licences are granted for one year only. At the end of the year perhaps the city will have gone "no licence," in which case the saloon-keeper's occupation is gone; or, if the city is still "licence," perhaps the saloon-keeper is not a *persona grata* with the newly elected city officers. In this latter case he may find that his name is not included in the list of licence holders for the coming year. Then the unfortunate dealer has to propitiate the authorities.

All these things make it an undesirable trade for solid and respectable men, and the effect of the constant harrying of the trade is to make it increasingly difficult to get the right sort of trader.

As a rule the saloon-keeper is not a "solid" man. His licence money, which has to be paid in advance, is lent by the brewer, and repaid in monthly instal-

¹ I refer throughout this chapter to conditions in the North-Eastern States of the Union. See *ante*, p. 2.

ments. The bond, which he has to enter into as a security of good behaviour, is backed by the brewer, and for his liquors he gets a month's credit. The saloon itself is hired at so much a month, and the fittings, in many cases, are lent by the brewer.¹

It will be seen, therefore, that the saloon-keeper has little or no permanent interest in the saloon for which he is responsible.

That this is a very undesirable state of things will, I think, be universally admitted. In this connection I cannot do better than quote the evidence of one of the authors of the book now under discussion, Mr. Sherwell, M.P. Speaking at the National Liberal Club, in London, on December 2, 1907, Mr. Sherwell said :—

“I would suggest that licensing proposals must not be directed to the outlawing of the traffic. The traffic in alcoholic liquors may be evil in the estimation of some; but it is a legal traffic, and its legality is based upon the fact that public opinion as a whole refuses to brand the consumption of alcoholic liquors as wrong. If the consumption of alcoholic liquors be not wrong, then the sale of those liquors must be justifiable. To attempt an

¹ Messrs. Rowntree and Sherwell, in a footnote to p. 308, quote the following :—“The care bestowed on the selection of applicants for licence has not resulted in excluding brewers and wholesale dealers from the control of numerous retail shops. One of the best authorities on the subject asserts that in a certain district of Pittsburg four-fifths of the saloons are practically owned by brewers and wholesale dealers. Instances were related of men without capital being advanced sufficient money by their powerful brethren to fit up bar-rooms, buy stock, and pay the licence fee of 1,000 dollars.” (*The Liquor Problem in its Legislative Aspects*, p. 280.)

arbitrary distinction between sale and consumption is as foolish as it is misleading. The point of view which would outlaw the traffic, and therefore drive it into the least worthy hands, is a point of view which, in my judgment, would imperil and not advance the moral progress of the community. It is true that I am here opposing a view widely current in the advanced temperance party, and a view, moreover, that has determined to a large extent the licensing legislation of the United States of America, but a close study of the laws and experience of that great country has convinced me that the attempt to degrade and outlaw the liquor traffic there has aggravated the evils that are associated with the trade, and has not secured the ends sincerely aimed at by the promoters of that legislation. So long as drink is sold it should be sold under decent conditions and the sale should be in the hands of the most worthy, rather than the least worthy, members of the community."

As to the saloon itself, a great difference exists between it and an English public house.

¹ A saloon must be on the ground floor and is supposed to consist of one room only. It may not be divided into compartments, and it must have no communication with any other rooms.² If the saloon-

¹ I am speaking from personal experience of the saloons of the Eastern States. I believe they are practically the same all over the country; but they no doubt vary slightly in accordance with the laws of the different States.

² Except lavatory accommodation.

keeper lives on the premises he must have a separate entrance from the street, and no internal communication. The window of the saloon must be unscreened, so that the interior is visible from the street. If we examine a typical saloon we shall find that it has a very narrow frontage to the street, perhaps twelve or fourteen feet if frontage is valuable. On one side is the door, and the rest of the front is occupied by a large glass window, through which the interior can be seen. Passing to the inside, we find ourselves in a narrow room of great length—possibly going right through to the street at the back. A counter runs the whole length of the room. There is usually no seating accommodation. The customers who come in—and the place is often thronged—swallow their drinks standing at the bar, and then go out again.

It will be at once recognised that we have here something quite different from the British public-house. This is generally a substantial building of many rooms,¹ with accommodation for clubs and meetings as well as for the drinking bars. The latter are usually divided into several compartments, and even the very lowest class contain more seating accommodation than does the American saloon. The other compartments, or “parlours,” are fitted up with chairs and tables, so that customers can take their drink at leisure, or can order tea or whatever else

¹ Magistrates in England usually lay great stress on the idea that several rooms must be available for public use.

they want. Upstairs there are probably rooms devoted to the meetings of local clubs. Trades unions, chess clubs, gardening societies, Oddfellows, Foresters, athletic clubs, and committees of all kinds hold their meetings there.

I mention these facts in order to show the great difference that exists in the conditions on the two sides of the Atlantic.

If we compare the restaurants and hotels the difference is not so apparent. They seem to be conducted in much the same manner over there as they are here.

But what we have to deal with in this inquiry is the saloon and the public-house. It is there that the great bulk of the drink is sold. It must be remembered that the mass of the population in any country belong to what are called "the working classes." They outnumber the richer classes to such an extent that, in considering such a problem as the taxation of liquor, we shall not be far wrong if we refer only to the trade done with the masses. This I propose to do.

The following remarks refer only to the working man's public-house, or saloon, and are not applicable to hotel bars, or other more expensive resorts.

In order to get some idea of the profits earned by the retailers in the two countries. I have made various inquiries as to the rent of saloons. It is very high, especially when we consider that the accommodation

only consists of a single room. Messrs. Rowntree and Sherwell (p. 379) state that in the outlying districts in New York the rent of a saloon would be from £60 upwards. In better situations from £100 to £600 a year (except in the most desirable locations). I believe these figures are approximately correct for the Eastern States generally. Unfortunately they do not convey much meaning unless we have some idea of the trade. I find on inquiry that in Massachusetts (where the licence duties are exceptionally high) the smallest class of house would expect to sell at least 300 (English) barrels of beer a year.

It will be remembered that in Massachusetts only one licence is issued to every 1000 of the population, which makes the trade very high for each licence.

Now the rents I have mentioned include all taxes of every description (except the licence duties), and also the water rate.

In the States taxation is based on capital and not on income. It is, therefore, payable by the owner of the property and not by the tenant. Taxation is, of course, in the end paid by the tenant in the form of increased rent. The tenant, when he has paid his rent, has no further taxes to pay.¹ Strictly speaking, he should pay a small tax on the capital value of his bar fittings, just as all tradesmen should pay on their shop and warehouse fittings. As a

¹ Every American has to pay a poll tax—but that, of course, does not affect the question.

matter of fact this tax is rarely paid, and this may be said to be often the case with taxes in America. Taxes are paid when real property is concerned, because they cannot be evaded. Personal property, however, is difficult to assess, and so usually escapes taxation.

Consequently when the saloon-keeper has paid his rent, he has no further rates or taxes to pay and no water rate. He has nothing to pay for repairs or dilapidations, and the whole premises that he has to keep clean and in order consist of one room.

It will be evident to anyone conversant with the English trade that the English publican renting a free house and doing a similar trade would be worse off by the time he has paid his rent, rates, taxes, water rate, repairs and upkeep of the house.

We now come to the question of gross profit on the liquor sold. I find that Messrs. Rowntree and Sherwell have themselves made investigations into this point both here and in the States. They have been to a great deal of trouble in the matter, having visited several hundreds of public-houses and brought away samples. I fear these results are not very reliable, and that, not because they did not mean to get trustworthy results, but because of their great ignorance of the subject. I am sure Messrs. Rowntree and Sherwell will consider it a compliment when I say that never were two men by training less competent than they to obtain sound information as to the working of a public-house.

Let us examine, for instance, their plan of ascertaining the price at which beer is sold in a public-house.

¹ They go into several hundreds of public-houses in succession and ask for a "glass of beer." The publican, seeing a well-dressed stranger, gives him a glass of "bitter" and charges him either 1½d. or 2d. Messrs. Rowntree and Sherwell take the beer away with them for analysis, and fondly imagine that they have got some idea of that man's trade. Nothing could be further from the truth. If the public-house is in a working-class neighbourhood, the publican would probably sell a dozen barrels of "fourpenny" beer to every barrel of bitter beer. His customers would not ask for "a glass of beer," but they would demand "a pint of fourpenny," and fourpenny beer is beer that is sold at 4d. a quart or 2d. a pint. Fourpenny is the general drink (sometimes it is called single or single X, or by various other names), and the price is always the same. The price is not 1½d. for a glass containing something less than half a pint as Messrs. Rowntree and Sherwell aver, but is 2d. for a pint.

If there were any doubt in regard to Messrs. Rowntree and Sherwell's error, it would be set at rest by a sentence on p. 538 (footnote 1) of their book. "This comparison, of course, relates to the beer sold by the glass in public-houses only. It does not include beer sold by the pint or bottle."

The figures exclude beer sold by the pint, yet nearly all the beer in this country is sold by the pint.

¹ R. and S., p. 538.

The working man likes to know that he is getting the right amount for his 2d. Consequently he wisely asks for a "pint," and the law sees that he gets it.¹

Now we see how false is the basis of Messrs. Rowntree and Sherwell when they state that in a public-house the average price is 1.52d. for 9½ oz. of beer. The usual price in England is, as I have shown, 2d. for 20 oz. Taking the average all over the country this price will be raised slightly by a certain amount of 5d. beer and also by a small amount of bitter beer—for which a higher price is obtained. I therefore suggest 2¼d. a pint as about the average. This is, I think, borne out by Dr. Dawson Burns' estimate.² The latter puts the average at 2½d. a pint, but this of course includes pale ale sold at restaurants and hotels at more or less fancy prices.

If the publican³ sells his beer at an average price of 2¼d. per pint, he gets 54s. for a barrel. The average

¹ In some parts of the country fivepenny beer is drawn instead of fourpenny. The price of the pint is then 2½d. This is, however, rather uncommon.

² R. and S., p. 543.

³ Throughout this chapter I speak only of the "free" publican, and not of the tenant of a public-house which is "tied" to a firm of brewers. The latter are the more numerous, and, therefore, I should have preferred to write of them. They are, however, under such varying conditions in different parts of the country that it would be very difficult to estimate profits which would be fair over the whole country.

As a general rule, the "free" publican pays a higher rent than the "tied" man. On the other hand, he pays less for his beer. Being a man who has invested his own capital in the business, the "free" publican is naturally in a position to make greater profits. In taking the "free" publican, therefore, as the basis of my comparison, I shall obtain figures which are more in favour of Messrs. Rowntree and Sherwell's contentions than if I attempted to tabulate figures concerning the profits in "tied" houses.

price that he pays the brewer may be taken to be about 30s. This is somewhat above the price of four-penny, as it includes a small proportion of more expensive ale. On this basis the publican makes an average gross profit of 24s. per barrel.

Turning to the profit on spirits in this country, I am content to accept as sufficiently accurate Messrs. Rowntree and Sherwell's figures (p. 539), which are 3·17d. for 54·4 c.c. (1·9 oz.). This is equal to £1 2s. per gallon. If we take the average price to the publican of spirits reduced ready for sale at 13s., we see that the publican gets a profit of about 9s. a gallon.

In the United States we shall find that the gross profits made by the saloon-keeper are considerably higher than this. Taking beer first, the universal price charged in the saloons is 2½d. per glass, and my inquiries point to 12 oz. as being the average size of the glass. This agrees exactly with a statement of the New England Brewers' Association quoted by Messrs. Rowntree and Sherwell (p. 538), and it means that the saloon-keeper obtains £4 15s. 10d. for an (English) barrel of beer. This figure is about 5s. a barrel higher than the figures accepted by *The American Grocer*,¹ but it is 12s. 6d. a barrel lower than the one adopted by the Anti-Saloon League.²

The cost of beer to the saloon-keeper varies with

¹ See *ante*, pp. 36 and 37.

² *Anti-Saloon League Year Book*, 1909, p. 41.

his distance from the brewery. I think we may take an average of about $5\frac{1}{2}$ dols. per American barrel delivered. This comes to £1 11s. 11d. per English barrel, and shows a profit to the saloon-keeper of £3 3s. 11d. per English barrel. This seems a large profit, but undoubtedly the figure is approximately correct. The price of 12 oz. for $2\frac{1}{2}$ d. is equivalent to a little more than 4d. a pint, or just double the price at which the British publican sells his fourpenny.

The price of spirits in the ordinary saloons is universally 10c., or 5d., a drink. As Messrs. Rowntree and Sherwell (p. 538, footnote 2) say, "the customer is handed a bottle of spirits and serves himself, no restriction being placed on the quantity taken." Also they refer on the same page to the dram of spirits of "*unlimited measure*." From this the reader naturally imagines that the customer can take as much as he likes, "no restriction being placed on the quantity taken." But surely, Messrs. Rowntree and Sherwell should at the same time have stated that the glass given to the customer into which he may help himself is a small glass, which will only hold, when quite full, $2\frac{1}{2}$ oz. Is it a perfectly straightforward statement of fact to refer to a dram as being of *unlimited measure* when the measure is limited to $2\frac{1}{2}$ oz.?

¹ Saloon-keepers say that it pays well to let

¹ I may explain here that the American custom is to drink the spirit neat. It is often followed by a "chaser" of iced water or soda water with a few drops of lemon juice in it, or some similar drink, usually served in another small glass. The price of the "chaser" is included in that

customers help themselves into their small glasses ; many do not fill quite up to the brim—it is considered the correct thing not to be too greedy. Furthermore, if several friends are drinking together, the custom prevails of each man “standing drinks round.” After the first couple of rounds, most of the men will only help themselves to a little spirit at the bottom of the glass, just to comply with the custom. The saloon-keeper, however, gets his 10 cents just the same.

My personal estimate of the average “drink” was about 2 oz. The Anti-Saloon League says that the small glasses well filled will hold 2·65 oz. *The American Grocer* estimates the average drink to be 2·2 oz.

Now, if we take $2\frac{1}{4}$ oz. as the average, and 10 cents as the price, we find that an imperial gallon will sell for 29s. 8d. The average cost of spirits reduced ready for use is about 1·65 dols. per American gallon, equivalent to 8s. 3d. per imperial gallon.¹ This gives the saloon-keeper a profit of £1 1s. 5d. on each imperial gallon of spirits that he sells.

We are now in a position to tabulate the gross profit made in British and American saloons.

of the spirit. I have in my possession one of the small glasses used for spirits which I bought from a saloon where it was in use. It holds $2\frac{1}{2}$ oz. of fluid when it is full up to $\frac{1}{4}$ inch from the brim.

¹ The difference between this and the English price is due to the higher duty on this side.

	Beer.		Spirits.	
	Price per pint.	Gross Profit per English Barrel.	Price per Dram of 2 oz.	Gross Profit per Imperial Gallon.
United Kingdom	2·25d.	£1 4s.	3·3d.	9s.
United States ...	4·17d.	£3 3s. 11d.	4·4d.	£1 1s. 5d.

We see at once from this table how enormously greater are the gross profits of the American saloon-keeper than those of the British publican.

Before attempting to draw any conclusions from this it will be well to inquire whether the saloon-keeper has any special expenses which the publican has not. Messrs. Rowntree and Sherwell mention three points which they maintain lessen the saloon-keeper's profits. I will deal with them in turn.

Higher Wages. It is a fact that the American saloon-keeper has to pay much higher wages than the British publican. On the other hand, he only has to keep just enough men to serve out the liquor, so that he employs very little labour. The publican has to employ the same amount of labour to serve the liquor, and has to employ further labour to look after the house generally. Therefore, although the publican in this country pays less for his labour, yet he employs more of it.

Soda Water. In Great Britain soda water is sold in bottles and is charged extra. It is therefore very little drunk by the working classes. In the United

States a small glass of soda or seltzer water is often drunk after the neat spirits as a "chaser," and no charge is made for it. The saloon-keeper buys it in iron drums and puts these drums into his "soda fountain," whence it is drawn off in small quantities as required. The cost of soda (or seltzer) water bought wholesale in this manner is extremely small, a few cents per gallon only.

Free Lunch. Messrs. Rowntree and Sherwell make a great point of the free-lunch custom. They write :—

"Moreover, any comparison of retail prices in the two countries that does not take into account the almost universal provision of 'free lunches' in American saloons must inevitably be misleading. As an additional expense, it is, as the New York correspondent of the London *Daily Telegraph* pointed out, 'a considerable item on the publican's daily outlay in America.' Few people in this country have an adequate idea of the widespread extent and substantial character of these 'free lunches.' They are to be found in most saloons, but are less elaborate in the cities of the eastern States than in other divisions of the Union. They are most elaborate in the cities of the western States" (pp. 540-1).

Now I would like to point out that Messrs. Rowntree and Sherwell throughout their book have been comparing the taxation of the United Kingdom

with that of the north-eastern States in the United States, where licence duties rule high, and not with that of the western States, where the duties are much lower. Having selected the north-eastern States, they should adhere to them, and not generalise from the western States just on those points where it suits their arguments so to do.

I am not personally acquainted with the western States, and, therefore, I cannot say whether the statement about free lunches is correct, but even if it is, it must be remembered that they pay smaller licence duties, and therefore can afford to spend more money in other ways.

As for the eastern States, I can say from personal experience that in Massachusetts, New Hampshire and New York the custom exists, and is very widespread, but the so-called free lunch is of the most trivial description. At its best it consists of perhaps four bowls of food placed on a shelf where anyone can help themselves with their fingers. One bowl invariably contains crackers (small dry biscuits). In a second bowl are pickles. A third perhaps contains bits of dried fish, and a fourth small pieces of cheese.

This would be considered in the eastern States a very good "free lunch." More often it would consist of two large dishes, one of crackers and one of pickles. One of the saloons which I visited only offered a bowl of American popcorn (roasted maize).

Generally speaking, however, the lunch, if provided at all, consists of crackers and pickles with sometimes some dried fish. Nowhere have I seen anything of which a man could by any possibility make a lunch. The cost of this to the saloon-keeper must be extremely small. In a saloon where there were four bowls of food, I made a mental estimate of the food on view, and concluded that it would cost about a dollar. From the small amounts that were being eaten it was evident that it would last considerably more than one day. And this was a big saloon, doing a great trade, and the time was one o'clock.

In fact, when we come to examine the "free lunch" in the eastern States, it turns out to be no more than the free biscuits and cheese which are to be seen on the counter of many London public houses.

We have now examined all the points that have been raised in connection with the relative profits of the American saloon-keeper and the British publican, and we are in a position to take a rough survey of the situation.¹

The American saloon-keeper pays no more rent, rates

¹ In these calculations I have not taken any note of profits derived from the sale of articles other than alcoholic liquors. The English publican sells mineral waters, ginger beer, and tea, and the American saloon-keeper expects to do a good trade in cigars (which are smoked over there by all classes of the community). It would be hard to say which trader derives the bigger profit from these "side lines"; but, in any case, it seems to me to lie entirely outside the scope of this inquiry. We are here only concerned with what is called the "liquor trade."



THE GROSS PROFITS.

Comparison of the gross profits made respectively by a saloon keeper in the United States and by a British publican. The sales in each case are taken to be 300 (English) barrels of beer and 300 imperial gallons of spirits.



The British Publican's Profits.



*The American Saloon
Keeper's Profits.*

SPIRITS

BEER



£ 495.

SPIRITS

BEER



£ 1,280.

and taxes (combined) than does the English publican. The American saloon-keeper pays more for his beer, and less for his spirits. He also has to pay some small sums for free soda water and free lunches. So far I do not suppose there is any great difference between the two. But, and now comes the difference, the saloon-keeper has to pay a large sum for his licence, whilst the publican only pays a small sum. How does the American saloon-keeper find this extra money? The answer is obvious. The American saloon-keeper charges very much higher prices for his liquors, and so receives very much larger gross profits than does the British publican. Messrs. Rowntree and Sherwell (p. 543) write: "To sum up the argument on this point, it is clear that the difference in retail prices in the two countries is more nominal than real. . . ." Let us see what this "nominal" difference comes to in the case of a small American saloon selling, for example, 300 barrels of beer and 300 gallons of spirits a year,¹ and of an English public-house doing the same trade.

Gross Profit on	British Public-house.	American Saloon.
300 (English) Barrels of Beer	£360	£959
300 Imperial Gallons of Spirits	135	321
Total Gross Profit	£495	£1,280

¹ The trade of American saloons is increased by the fact that very little liquor is consumed in the home as compared with the saloon. See R. & S., p. 270, footnote 3.

Thus we find that the difference in the gross profit in the two houses doing a similar trade is nearly £800 a year. Out of this, the American saloon-keeper can well afford to pay a high licence duty. He can also afford to run an automobile—as many of them do.

I think if Messrs. Rowntree and Sherwell had taken the trouble to calculate the profits of the retail trade (from the prices they give in their book), they could not by any possibility have described the difference between the two countries as being “more nominal than real.”

The British publican with a total gross profit of £495 has very little left after he has paid everything at the end of the year. Rent, rates, taxes, and licence would probably take half of the £495, and he only has £250 left to pay for heat, light, and all the necessary expenses of upkeep as well as the support of himself and his family.

It is evident, I submit, that there is no margin here to pay high licence. If the publican in this country is to be forced to pay a high duty he will either have to shut up his house or else he will have to follow the example of his American brother in selling at far higher prices. No wise English publican will object to paying high licence, if he is enabled to charge American prices for his liquors. But what will his customers say? Is the English

working man willing to pay 4d. for his pint of beer, as the American to-day does ?

Unquestionably the British working man will resent any attempt to impose a licence duty which will raise the price he will have to pay for beer.

CONCLUSION

We have now finished our survey of the comparative taxation of the liquor trade in the United States and in the United Kingdom, and of the profits made by the retailer. It only remains to give a general summary of the results.

Before doing so, I wish to point out that throughout this work no account has been taken of the difference in the purchasing value of money in the two countries. Yet it is evident that it has a considerable bearing on the subject. A dollar in America really means less than 4s. 2d. in England. The wages of the working people in the north-eastern States are roughly about half as much again, and the price of almost everything is in proportion. To form an equal burden, therefore, taxation should, expressed in money, be half as high again in these States as in the United Kingdom. If a man earns 30s. a week and pays taxes to the extent of 3s. (all his other expenses being in the same proportion), he is burdened to the same extent as a man who lives in a cheaper country, and who only earns 20s. a week and pays 2s. in taxation. Therefore the taxation,

to be equal, should, when expressed in terms of money, be half as much again in these States of America as it is here.

Even if, therefore, the taxation of the liquor trade in the north-eastern States and in the United Kingdom were equal, when expressed in terms of money, it would still mean that the burden on the consumer was about 50% greater here than in these States.

If Messrs. Rowntree and Sherwell's figures concerning the taxation of absolute alcohol were correct, it would still be necessary to take the relative purchasing power of a dollar and its English equivalent into consideration, and, if this were done, their conclusions would be completely upset. When, therefore, we find, as we unmistakably have found, that the total sums paid in taxation by the trade are considerably greater in the United Kingdom than in the north-eastern States, we must not forget that the purchasing value of money is also on the whole much higher, and if this fact is taken into the comparison, it adds very greatly to the burden of liquor taxation in the British Isles.

In other words, the taxation of liquor in the United Kingdom when compared with the States which are the subject of my inquiry is really very much higher than the figures themselves suggest.

There is, however, no need to insist too much on this point, as the fact that the total taxation of liquor in this country is higher than in the States is amply proved even without it.

SUMMARY

COMPARISON OF THE TAXATION OF THE LIQUOR TRADE IN THE UNITED STATES OF AMERICA AND IN THE UNITED KINGDOM

1. The licence duties are much higher in the United States of America. They vary greatly in the different States of the Union. If we take the State of Massachusetts, where they are extremely high, we find that the licence duties in that State yield four and three-quarters times as much per 1,000 of the population as the licence duties yield in the United Kingdom.

2. The direct taxation of liquor is much higher in the United Kingdom. If the United Kingdom standard of taxation were applied to the United States, the revenue derived from spirits alone would be greater than the whole revenue which the United States at present derive from the taxation of spirits, wines and beer, and from all the licence duties.

3. The total taxation of the liquor trade (that is, the licence duties and the direct taxation of liquor added together) is considerably higher in the United

Kingdom than in the United States. This is proved in three ways :—

- (a) If the United States standards of duty and taxation are applied to the United Kingdom, it is shown that the British revenue would thereby be materially lowered.
- (b) If the British standards of duty and taxation are applied to the United States, it is shown that the revenue which the United States would derive from the liquor trade would thereby be enormously increased.
- (c) If we estimate the amount that the average inhabitant of each country spends in drink, we find that in the United Kingdom a larger proportion of this sum is due to taxation than is the case in the United States.

4. The gross profit of the saloon-keeper in the United States is very much higher than that of the British publican. The figures I give show it to be between two and three times as high. This is due to the high prices charged by the saloon-keeper. In the United States the price of beer over the counter is 4d. a pint instead of 2d. a pint, which is the general price of fourpenny ale in this country.

5. Messrs. Rowntree and Sherwell assert that the total taxation of the liquor trade is higher in the United States than in this country. They produce no figures to prove this, except a calculation on the absolute alcohol basis, thirteen years' old, and on a

different level of taxation from the present rate. I have shown that these figures, calculated on the last three years, are completely reversed. I have also shown reasons why the absolute alcohol basis is a fallacious one, and that Messrs. Rowntree and Sherwell's comparisons between some of the separate States of the Union and the United Kingdom are based on mere guesswork, and are not even approximate to the truth. The only reason for the adoption of such a controversial basis of comparison as the absolute alcohol basis is the fact that it is the only possible basis on which the total taxation in the United Kingdom can be made to appear lower than in the United States. Even then this result can only be obtained by using factors which are open to the most serious objections.

6. In these calculations no allowance whatever is made for the smaller purchasing value of money in the States. If this fact were taken into due consideration it would show that the taxation in the United Kingdom (compared with the north-eastern States of the Union) is very greatly higher than appears from the figures.

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